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*Corp Report*

CANADA MALTING CO.  
LIMITED



ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1970



# CANADA MALTING CO., LIMITED

## *Board of Directors*

DOUGLAS W. AMBRIDGE, C.B.E., B.Sc.

NIGEL B. BAIRD

ERIC S. CLARKE

HARRY F. GRAESSER

W. DOUGLAS HATCH

STANTON J. BURKETT

RALPH B. McDONALD

GORDON McMILLAN, Q.C.

GEORGE H. SELLERS

REGINALD J. THOMAS

*Honorary Director*  
JOHN P. HEIGHTON

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## *Officers*

HARRY F. GRAESSER . . . . . PRESIDENT AND CHIEF EXECUTIVE OFFICER

REGINALD J. THOMAS . . . . . VICE-PRESIDENT FINANCE AND SECRETARY

STANTON J. BURKETT . . . . . VICE-PRESIDENT SALES

WALTER W. COMBER . . . . . TREASURER

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*Head Office*  
TORONTO - ONTARIO

*Malthouses and Elevators*  
MONTREAL, QUEBEC - - WINNIPEG, MANITOBA  
TORONTO, ONTARIO - - CALGARY, ALBERTA  
THUNDER BAY, ONTARIO

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## *Transfer Agent*

CANADA PERMANENT TRUST COMPANY  
TORONTO, ONTARIO - - MONTREAL, QUEBEC  
CALGARY, ALBERTA

## *Registrar*

MONTREAL TRUST COMPANY  
TORONTO, ONTARIO - - MONTREAL, QUEBEC  
CALGARY, ALBERTA



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF  
**CANADA MALTING CO., LIMITED**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1970

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The Board of Directors submits herewith the Annual Report of your Company, together with the Consolidated Financial Statements for the twelve months ended December 31, 1970, and the Report by the Auditors, Messrs. Price Waterhouse & Co.

Net earnings for the year amounted to \$2,107,042.00, and after providing for accrued dividends on the preferred stock to December 31, 1970, were equal to \$2.28 per common share, which compare with net earnings for the previous year of \$2,082,970.00, equivalent to \$2.25 per share, based on the same number of common shares outstanding.

Net dollar sales show a substantial increase over the previous year, largely because the current year includes sales of Leaver Mushrooms Co. Limited. Actual volume of malt shipped was approximately 5% greater than in 1969, resulting from increases in both the domestic and export markets, but this improvement was offset by substantially higher costs of labour, materials and services and, as a result, net earnings were only slightly higher.

Capital additions in connection with malting operations amounted to \$516,407.00 during the year and all your plants have been maintained in good condition. The Directors have approved an extension to the Calgary malthouse at an estimated cost of \$2,000,000.00 and it is expected that this additional production will be available by the end of this year.

The statements include the accounts of Leaver Mushrooms Co. Limited for the first time in our Annual Report since, as previously reported, a 60% interest in this company was acquired as of January 1, 1970. The operations of the company for the year under review exceeded expectations and, when the new mushroom plant now under construction is completed, we can expect a material increase in its profitability. The total cost of this expansion will amount to approximately \$3,000,000.00 and production is due to commence in May. A sketch of the new facility is shown at the back of this report.

Earnings of our associate company, Hugh Baird & Sons Limited, showed a considerable improvement over the previous year and its operations continue at a satisfactory level. Earnings of this company have only been included in the statement to the extent of dividends received during the year.

During the year your Board accepted, with regret, the resignation of Mr. John P. Heighton, who had served on the Board for thirty-five years and, prior to his retirement in 1946, was Secretary-Treasurer of the Company. In recognition of his outstanding contribution to the Company he has been appointed an Honorary Director.

Your Directors gratefully acknowledge the support and cooperation of all employees, whose combined efforts have made these results possible.

On behalf of the Directors,

**HARRY F. GRAESSER,**  
President.

**CANADA MALTING CO., LIMITED**  
and subsidiary company

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31	
	1970	1969
Net Sales .....	\$41,137,470	\$36,709,794
Costs and expenses:		
Cost of products sold and all expenses except items shown below .....	34,899,467	30,975,326
Interest on debentures .....	96,000	—
Provision for depreciation .....	1,326,386	1,115,680
Amortization of leasehold interests .....	48,571	—
	<u>36,370,424</u>	<u>32,091,006</u>
Earnings from operations .....	4,767,046	4,618,788
Investment and other income (Note 2) .....	110,447	71,182
	<u>4,877,493</u>	<u>4,689,970</u>
Provision for income taxes (Note 3) .....	2,706,000	2,607,000
Earnings before minority interest .....	2,171,493	2,082,970
Minority interest in earnings of subsidiary .....	64,451	—
Net earnings for the year .....	<u>\$ 2,107,042</u>	<u>\$ 2,082,970</u>
Earnings per share after preferred dividends .....	\$2.28	\$2.25

CONSOLIDATED STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	Year ended December 31	
	1970	1969
Balance at beginning of year .....	\$ 8,548,433	\$ 7,459,214
ADD:		
Net earnings for the year .....	2,107,042	2,082,970
Excess of par value over cost of Series B preferred shares purchased for cancellation .....	3,404	16,733
	<u>2,110,446</u>	<u>2,099,703</u>
	<u>10,658,879</u>	<u>9,558,917</u>
DEDUCT:		
Dividends on Series B preferred shares (Note 4) .....	135,358	146,596
Dividends on common shares (\$1.00 per share) .....	863,888	863,888
	<u>999,246</u>	<u>1,010,484</u>
Balance at end of year (Note 5) .....	<u>\$ 9,659,633</u>	<u>\$ 8,548,433</u>



ASSETS

	December 31	
	1970	1969
CURRENT ASSETS:		
Cash .....	\$ 245,291	\$ 2,400
Accounts receivable, less allowance for doubtful accounts .....	4,057,821	4,124,144
Inventories:		
Malt, barley, etc., at the lower of cost or net realizable value .....	12,950,183	10,427,137
Operating supplies, at not in excess of cost .....	323,428	316,635
Prepaid expenses .....	237,888	158,388
Deposit under agreement and accrued interest .....	—	46,027
	<u>17,814,611</u>	<u>15,074,731</u>
OTHER ASSETS:		
Investment in shares of Hugh Baird & Sons, Limited (50% owned), at cost (Note 2) .....	2,499,484	2,499,484
Grain Exchange Seats and Memberships in Clearing Associations, less amounts written off .....	<u>1</u>	<u>1</u>
	2,499,485	2,499,485
FIXED ASSETS, at depreciated replacement values on February 28, 1955 as reported by Canadian Appraisal Company Limited, plus subsequent additions at cost:		
Buildings, plant and equipment .....	35,023,827	30,716,604
Less: Accumulated depreciation .....	<u>15,348,477</u>	<u>14,110,169</u>
	19,675,350	16,606,435
Land .....	1,669,650	1,556,034
Leasehold interests, less amortization of \$48,571 .....	<u>182,629</u>	<u>—</u>
	21,527,629	18,162,469
	<u><u>\$41,841,725</u></u>	<u><u>\$35,736,685</u></u>

# CO., LIMITED

ompany

## ANCE SHEET

### LIABILITIES

	<u>December 31</u>	
	<u>1970</u>	<u>1969</u>
<b>CURRENT LIABILITIES:</b>		
Bank advances .....	\$ 2,438,628	\$ 1,923,206
Notes payable .....	2,500,000	—
Accounts payable and accrued .....	2,350,246	1,550,470
Taxes on income .....	<u>138,132</u>	<u>1,051,101</u>
	7,427,006	4,524,777
<b>LONG TERM DEBT:</b>		
8% First Mortgage Debentures of subsidiary payable \$100,000 annually 1972 to 1983 .....	1,200,000	—
DEFERRED INCOME TAXES (Note 3) .....	523,500	458,000
MINORITY INTEREST IN SUBSIDIARY .....	864,451	—
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock:		
Authorized —		
10,000,000 preferred shares of a par value of \$1 each, issuable in series		
1,200,000 common shares without nominal or par value		
Issued and outstanding —		
2,238,794 6% cumulative redeemable Series B preferred shares (Note 4) .....	2,238,794	2,277,134
863,888 common shares .....	5,099,665	5,099,665
Earnings employed in the business (Note 5) .....	<u>9,659,633</u>	<u>8,548,433</u>
	16,998,092	15,925,232
Excess of appraised value of fixed assets over depreciated book value on February 28, 1955 .....	<u>14,828,676</u>	<u>14,828,676</u>
	31,826,768	30,753,908
Approved on behalf of the Board:		
HARRY F. GRAESSER, <i>Director</i>		
REGINALD J. THOMAS, <i>Director</i>		
	<u>\$41,841,725</u>	<u>\$35,736,685</u>



**CANADA MALTING CO., LIMITED**  
and subsidiary company

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1970	1969
Working capital at beginning of year .....	\$10,549,954	\$ 9,255,769
Working capital of subsidiary at January 1, 1970 the effective date of the start of operations (Note 1) .....	1,067,297	—
	<u>11,557,251</u>	<u>9,255,769</u>
Source of funds:		
Net earnings .....	2,107,042	2,082,970
Charges against earnings not affecting cash outlay —		
Provision for depreciation .....	1,326,386	1,115,680
Amortization of leasehold interests .....	48,571	—
Deferred income taxes (Note 3) .....	65,500	(46,650)
Minority interest in earnings of subsidiary .....	64,451	—
Funds provided from operations .....	<u>3,611,950</u>	<u>3,152,000</u>
Application of funds:		
Investment in capital stock of subsidiary .....	1,200,000	—
Additions to fixed assets (Net) .....	2,547,414	668,534
Dividends on Series B preferred shares (Note 4) .....	135,358	146,596
Dividends on common shares .....	863,888	863,888
Cost of Series B preferred shares purchased for cancellation (Note 4) .....	34,936	178,797
	<u>4,781,596</u>	<u>1,857,815</u>
Resulting in a (decrease) increase in working capital of .....	<u>(1,169,646)</u>	<u>1,294,185</u>
Working capital at end of year .....	<u>\$10,387,605</u>	<u>\$10,549,954</u>

FIVE YEAR EARNINGS

	Net Earnings	Earnings per Common Share
1966	\$1,606,109	\$1.86
1967	1,505,342	1.74
1968	1,415,065	1.50*
1969	2,082,970	2.25*
1970	2,107,042	2.28*

\*After providing for dividends on preferred shares.



# CANADA MALTING CO., LIMITED

and subsidiary company

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1970

1. The consolidated financial statements include the accounts of Leaver Mushrooms Co. Limited, a 60% owned subsidiary, and the results of its operations from January 1, 1970, the effective date of the start of operations on acquisition of the mushroom business of Geo. & L. H. Leaver.
2. The Company's equity in the net earnings of Hugh Baird & Sons, Limited (50% owned) amounted to \$133,489 for its fiscal year ended August 31, 1970 and dividends of \$84,565, included in investment and other income, were received during 1970. The corresponding figures for 1969 were \$56,449 and \$70,948, respectively.
3. Depreciation allowances for tax purposes for 1970 exceed the depreciation provided in the accounts. The resulting reduction of \$65,500 in income taxes currently payable has been charged to earnings as part of the provision for income taxes and set aside on the balance sheet as deferred income taxes.
4. During 1970, 38,340 Series B preferred shares were purchased for a total cost of \$34,936 and cancelled, leaving a balance of 2,238,794 shares issued and outstanding at December 31, 1970. The Series B preferred shares are redeemable at the option of the company at \$1.00 per share.  
  
Dividends on the Series B preferred shares are payable annually; such a dividend has been declared to shareholders of record at February 17, 1971 and is payable March 15, 1971.
5. Earnings employed in the business at December 31, 1970 include \$2,080,646 designated as capital surplus under Section 61 of the Canada Corporations Act, arising from the redemption and cancellation of 1,727,776 Series A preferred shares in 1968 and the purchase and cancellation of 352,870 Series B preferred shares during 1970 and prior years.
6. The completion of construction in progress at December 31, 1970 will require capital expenditures of approximately \$3,000,000.
7. The remuneration of ten directors and one honorary director amounted to \$14,700 (1969 - \$13,900) and the remuneration of five officers and one past officer amounted to \$164,915 (1969 - \$201,064). Four of the officers are also directors of the Company.

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### AUDITORS' REPORT

To the Shareholders of  
Canada Malting Co., Limited:

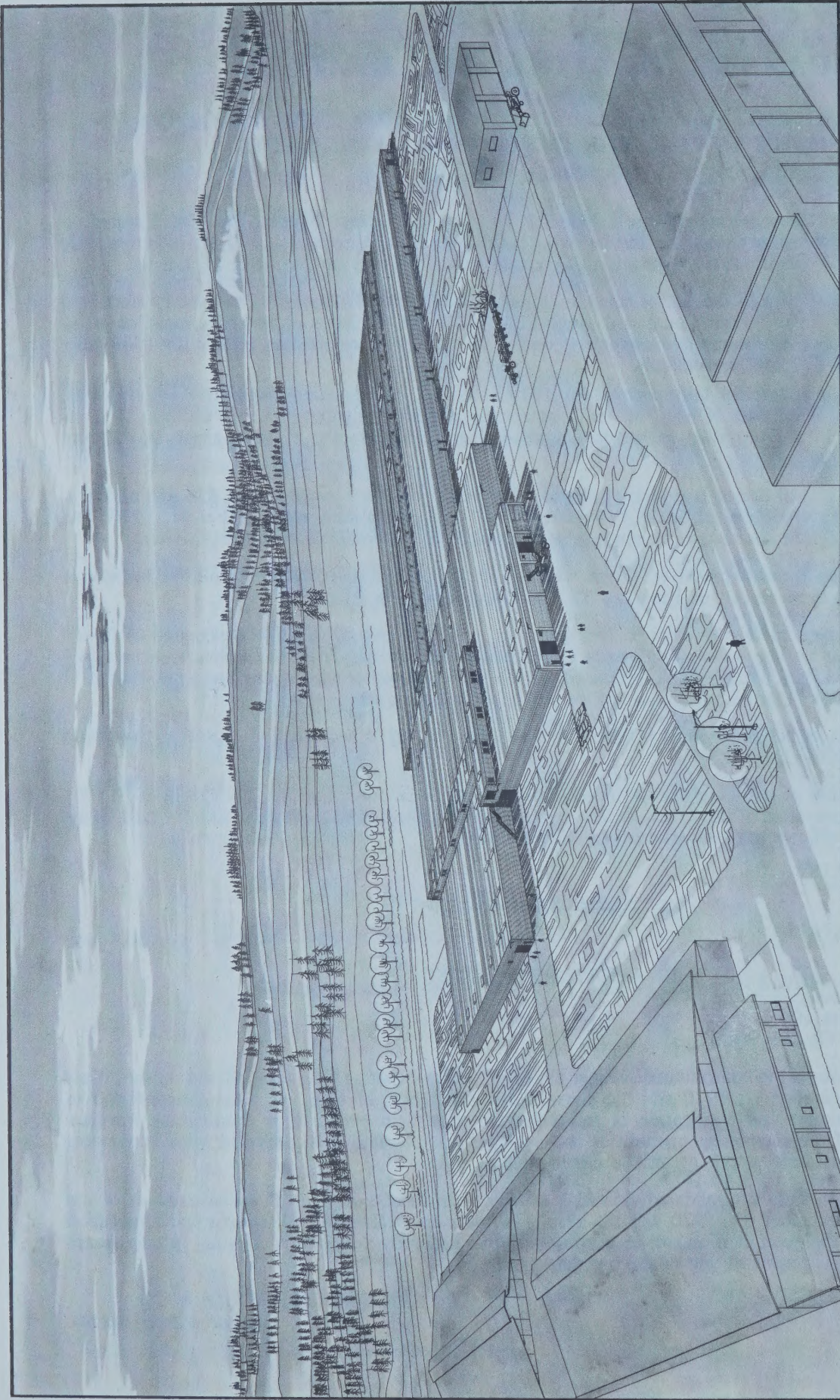
We have examined the consolidated balance sheet of Canada Malting Co., Limited and its subsidiary company as at December 31, 1970 and the consolidated statements of earnings, earnings employed in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.  
Chartered Accountants.

Toronto, Ontario  
March 1, 1971





ARCHITECT'S CONCEPTION OF NEW MUSHROOM GROWING FACILITIES AT CAMPBELLVILLE, ONTARIO

LEAVER MUSHROOMS CO. LTD.

Growers and Packers of Leaver and Dixie Brands Mushroom Products





